

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
CENTER BOARD OFFICIALS AND OFFICIAL NEWSPAPER
June 30, 2008

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Grant-Deuel School District No. 25-3
South Shore School District No. 14-3
Hamlin School District No. 28-3
Waverly School District No. 14-5
Henry School District No. 14-2
Watertown School District No. 14-4
Castlewood School District No. 28-1
Watertown School District No. 14-4
Watertown School District No. 14-4

Director:

Julie LeVake

Business Manager:

Lisa Oelrich
Natalie Bradshaw

Official Newspaper:

Watertown Public Opinion

**LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Center Board
Lake Area Multi-District Vocational Center No. 1
Codington County, South Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Area Multi-District Vocational Center No. 1, South Dakota (Center), as of June 30, 2008 and for the year then ended, which collectively comprise the Center's basic financial statements and have issued our report thereon dated August 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Responses as items 2008-01 and 2008-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Current Audit Findings and Responses as item 2008-02.

Lake Area Multi-District Vocational Center's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Responses. We did not audit the Center's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we have reported to management of the Center in a separate communication dated June 18, 2009.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Lake Area Multi-District Vocational Center No. 1, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Watertown, South Dakota
August 14, 2009

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
SCHEDULE OF PRIOR AUDIT FINDINGS
AND RESPONSES
June 30, 2008

PRIOR AUDIT FINDINGS AND RESPONSES

2007-01

Finding: A reportable condition and material weakness was reported for a lack of segregation of duties over the revenue, expenditure, and payroll functions. The finding for a lack of segregation of duties over the expenditure and payroll functions is no longer considered necessary and has not been restated; however, the finding for a lack of segregation of duties over the revenue function has not been corrected and has been restated as current audit finding number 2008-01.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
SCHEDULE OF CURRENT AUDIT FINDINGS
AND RESPONSES
June 30, 2008

CURRENT AUDIT FINDINGS AND RESPONSES

2008-01

Finding: A significant deficiency and material weakness was reported for a lack of segregation of duties over the revenue function resulting in decreased reliability of reported financial data and increased potential for loss of public assets.

Analysis: Because the business manager initiated, recorded, processed, and reported all of the revenue transactions during the year, there is inadequate segregation of duties over the revenue function.

Recommendation: We recommend that the Center board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response: The Center board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Center is aware of this problem and is attempting to provide compensating internal controls whenever and wherever possible and practical.

2008-02

Finding: School property disposed of during the year was not first declared to be surplus by motion of the school board as required by SDCL 6-13-1.

Analysis: SDCL 6-13-1 requires that property disposed of first be declared surplus by motion of the governing board.

Recommendation: We recommend that all school property that is disposed of first be declared to be surplus by motion of the school board as required by SDCL 6-13-1.

Response: Before any school property is disposed of, the school board will first declare the property to be surplus by motion as required by SDCL 6-13-1.

2008-03

Finding: A significant deficiency and material weakness was reported for management not preparing monthly bank reconciliations resulting in decreased reliability of reported financial data and increased potential for loss of public assets.

Analysis: Because management did not prepare monthly bank reconciliations, there is the likelihood of a potential misstatement in the amounts recorded in the financial statements and a potential for loss of public assets.

Recommendation: We recommend that management prepare monthly bank reconciliations to support the amounts recorded in the financial statements.

Response: Management will prepare monthly bank reconciliations to support the amounts recorded in the financial statements.



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Center Board
Lake Area Multi-District Vocational Center No. 1
Watertown, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Area Multi-District Vocational Center No. 1, South Dakota (Center), as of June 30, 2008 and for the year then ended, which collectively comprise the Center's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Area Multi-District Vocational Center No. 1, South Dakota as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2009 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules and related notes on pages 23 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Center has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

William Neale & Co., P.C.

Watertown, South Dakota
August 14, 2009

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 207,604.78
Other Assets	43,415.24
Capital Assets:	
Land	31,540.00
Other Capital Assets, Net of Depreciation	<u>367,527.66</u>
Total Assets	<u>650,087.68</u>
LIABILITIES :	
Accounts Payable	2,268.12
Other Current Liabilities	<u>92,935.38</u>
Total Liabilities	<u>95,203.50</u>
NET ASSETS:	
Invested in Capital Assets	399,067.66
Restricted for:	
Capital Outlay	58,332.00
Unrestricted (Deficit)	<u>97,484.52</u>
TOTAL NET ASSETS	<u>\$ 554,884.18</u>

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 764,403.73	\$ 782,234.48	\$ 126,241.62	\$ 34,630.00	\$ 178,702.37
Support Services	<u>235,638.83</u>	<u>3,809.02</u>	<u>-</u>	<u>-</u>	<u>(231,829.81)</u>
Total Governmental Activities	<u>1,000,042.56</u>	<u>786,043.50</u>	<u>126,241.62</u>	<u>34,630.00</u>	<u>(53,127.44)</u>
Total Primary Government	<u>\$ 1,000,042.56</u>	<u>\$ 786,043.50</u>	<u>\$ 126,241.62</u>	<u>\$ 34,630.00</u>	<u>(53,127.44)</u>

General Revenues:	
Unrestricted Investment Earnings	12,377.17
Other General Revenues	<u>38.82</u>
Total General Revenues	<u>12,415.99</u>
Change in Net Assets	(40,711.45)
Net Assets - Beginning	<u>595,595.63</u>
Net Assets - Ending	<u>\$ 554,884.18</u>

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 151,021.72	\$ 56,583.06	\$ 207,604.78
Accounts Receivable	8,504.24	-	8,504.24
Due from Other Governments	32,089.00	2,822.00	34,911.00
TOTAL ASSETS	\$ 191,614.96	\$ 59,405.06	\$ 251,020.02
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 1,195.06	\$ 1,073.06	\$ 2,268.12
Contracts Payable	71,904.90	-	71,904.90
Sales Tax Payable	23.80	-	23.80
Due to Other Governments	300.00	-	300.00
Payroll Deductions and Withholdings and Employer Matching Payable	20,706.68	-	20,706.68
Total Liabilities	94,130.44	1,073.06	95,203.50
Fund Balances:			
Unreserved Fund Balances:			
Designated for Next Year's Budget	50,000.00	5,000.00	55,000.00
Undesignated	47,484.52	53,332.00	100,816.52
Total Fund Balances	97,484.52	58,332.00	155,816.52
TOTAL LIABILITIES AND FUND BALANCES	\$ 191,614.96	\$ 59,405.06	\$ 251,020.02

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI DISTRICT VOCATIONAL CENTER NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total Fund Balances - Governmental Funds		\$ 155,816.52
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	Capital Assets	980,851.57
	Accumulated Depreciation	<u>(581,783.91)</u>
	Net	<u>399,067.66</u>
Net Assets - Governmental Funds		<u>\$ 554,884.18</u>

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues:			
Tuition and Fees:			
Regular Tuition	\$ 696,041.48	\$ 86,193.00	\$ 782,234.48
Earnings on Investments and Deposits	9,547.36	2,829.81	12,377.17
Other Revenue from Local Sources:			
Services Provided Other LEA's	3,809.02	-	3,809.02
Other	2,711.27	-	2,711.27
Revenue from State Sources:			
Restricted Grants-in-Aid	52,089.62	16,712.00	68,801.62
Revenue from Federal Sources:			
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>55,925.00</u>	<u>36,145.00</u>	<u>92,070.00</u>
Total Revenues	<u>820,123.75</u>	<u>141,879.81</u>	<u>962,003.56</u>
Expenditures:			
Current:			
Instruction:			
Regular Programs:			
High School	677,220.51	30,905.38	708,125.89
Support Services:			
Pupils:			
Guidance	26,269.47	-	26,269.47
Instructional Staff:			
Improvement of Instruction	5,534.81	-	5,534.81
Educational Media	309.19	-	309.19
General Administration:			
Board of Education	17,914.86	-	17,914.86
Executive Administration	55,051.34	-	55,051.34
Business:			
Fiscal Services	34,623.09	298.85	34,921.94
Facilities Acquisition & Construction	-	2,841.21	2,841.21
Operation and Maintenance of Plant	48,465.31	37,510.00	85,975.31
Other Support Services	-	2,852.70	2,852.70
Capital Outlay	<u>-</u>	<u>65,281.00</u>	<u>65,281.00</u>
Total Expenditures	<u>865,388.58</u>	<u>139,689.14</u>	<u>1,005,077.72</u>
Excess of Revenues Over (Under) Expenditures	<u>(45,264.83)</u>	<u>2,190.67</u>	<u>(43,074.16)</u>

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Sale of Surplus Property	<u>1,215.84</u>	<u>-</u>	<u>1,215.84</u>
Net Change in Fund Balances	(44,048.99)	2,190.67	(41,858.32)
Fund Balance - Beginning	<u>141,533.51</u>	<u>56,141.33</u>	<u>197,674.84</u>
FUND BALANCE - ENDING	<u>\$ 97,484.52</u>	<u>\$ 58,332.00</u>	<u>\$ 155,816.52</u>

The notes to the financial statements are an
 integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (41,858.32)
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide financial statements.	65,281.00
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(60,245.84)
In the statement of activities, gains(\$0) and losses (\$2,672.45) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$1,215.84) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(3,888.29)
Change in Net Assets of Governmental Activities	<u>\$ (40,711.45)</u>

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 6,417.30
Accounts Receivable	1,192.13
Due from Other Governments	<u>951.00</u>
Total Assets	<u>8,560.43</u>
LIABILITIES:	
Amounts Held for Others	<u>8,560.43</u>
Total Liabilities	<u>8,560.43</u>
NET ASSETS	<u>\$ -</u>

The notes to the financial statements are an
integral part of this statement.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Center conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Lake Area Multi-District Vocational Center No. 1 (Center), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Center is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Center (primary government). The Center may also be financially accountable for another organization if that organization is fiscally dependent on the Center. The Center does not have any component units.

The Center is a joint venture that is composed of nine school districts. These member school districts are Castlewood, Florence, Grant-Deuel, Hamlin, Henry, South Shore, Summit, Watertown and Waverly. The Center was formed for the purpose of providing vocational education services to the member school districts.

The governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Center's director, the superintendent of the Watertown School District, and one other superintendent of a member school district that is appointed by the governing board.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Center's government-wide financial statements include only governmental activities.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Center's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Center or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Center financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by grants and assessments charged to the member school districts. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Agency Fund Types – agency funds are used to account for resources held by the Center in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The Center maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the Center. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Center is 60 days. The revenues which are accrued at June 30, 2008 are restricted grants-in-aid received from the State and restricted grants-in-aid received from Federal government through the State. Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Expenditures generally are recognized when the related fund liability is incurred.

d. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements	\$ 1,000	Straight-line	25 yrs.
Buildings	\$ 1,000	Straight-line	5-70 yrs.
Machinery and Equipment	\$ 1,000	Straight-line	5-15 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

e. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the Center's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

f. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

g. Application of Net Assets:

It is the Center's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. **DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

The Center follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Center's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Credit Risk

State law limits eligible investments for the Center, as discussed above. The Center has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the Center's deposits may not be returned to it. The Center does not have a deposit policy for custodial credit risk. As of June 30, 2008, the Center's deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>% Undercollateralized</u>	<u>At-Risk Amount</u>
Great Western Bank	6.69%	\$ 16,441.41

Custodial Credit Risk - Investments

The risk that, in the event of the failure of the counterparty to a transaction, the Center will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2008, the Center did not have any investments.

Interest Rate Risk

The Center does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Center's policy is to credit all income from deposits and investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Center expects all receivables to be collected within one year. All receivables are considered collectible; therefore, no allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO).

In the government-wide financial statements and fund financial statements, inventory items are recorded as expenditures at the time of purchase.

No material amounts of inventory were on hand as of June 30, 2008 in the governmental funds.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

	Balance 7/1/07	Increases	Decreases	Balance 6/30/08
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 31,540.00	\$ -	\$ -	\$ 31,540.00
Capital assets, being depreciated:				
Improvements Other Than Bldgs	22,627.00	-	-	22,627.00
Buildings	374,880.69	20,995.00	-	395,875.69
Machinery and Equipment	509,896.77	44,286.00	23,373.89	530,808.88
Total	907,404.46	65,281.00	23,373.89	949,311.57
Less: accumulated depreciation for:				
Improvements Other Than Bldgs	14,908.92	2,339.32	-	17,248.24
Buildings	196,416.09	14,713.06	-	211,129.15
Machinery and Equipment	329,698.66	43,193.46	19,485.60	353,406.52
Total accumulated depreciation	541,023.67	60,245.84	19,485.60	581,783.91
Total capital assets, being depreciated, net	366,380.79	5,035.16	3,888.29	367,527.66
Governmental activity capital assets, net	\$ 397,920.79	\$ 5,035.16	\$ 3,888.29	\$ 399,067.66

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 56,277.84
Support Services	3,968.00
Total depreciation expense – governmental activities	\$ 60,245.84

6. OPERATING LEASES

The Center leases classroom space from the Lake Area Technical Institute. The lease agreement calls for semi-annual lease payments of \$110.00 per enrolled student per semester, except for the Electronics classroom space which is \$55.00 per enrolled student per semester. The lease payments have been made from the Capital Outlay Fund. The rent expense for the fiscal year ended June 30, 2008 was \$37,510.00.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

7. RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	<u>\$ 58,332.00</u>
Total Restricted Net Assets		<u>\$ 58,332.00</u>

8. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Center's share of contributions to the SDRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$31,968.21, \$29,756.72, and \$27,586.96, respectively, equal to the required contributions each year.

9. RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2008, the Center managed its risks as follows:

Employee Health Insurance:

The Center purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Center purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Center purchases liability insurance for worker's compensation from a commercial insurance carrier.

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Unemployment Benefits:

The Center has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims for unemployment benefits will be paid by the General Fund.

During the year ended June 30, 2008, no claims for unemployment benefits were paid. At June 30, 2008, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

10. LITIGATION

At June 30, 2008 the Center was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Tuition and Fees:				
Regular Tuition	\$ 698,201.00	\$ 698,201.00	\$ 696,041.48	\$ (2,159.52)
Earnings on Investments and Deposits	12,100.00	12,100.00	9,547.36	(2,552.64)
Other Revenue from Local Sources:				
Contributions and Donations	9,642.00	12,642.00	-	(12,642.00)
Services Provided Other LEA's	-	3,809.02	3,809.02	-
Other	-	-	2,711.27	2,711.27
Revenue from State Sources:				
Restricted Grants-in Aid	32,015.00	71,590.00	52,089.62	(19,500.38)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in Aid Received from Federal Government through the State	<u>18,343.00</u>	<u>108,725.00</u>	<u>55,925.00</u>	<u>(52,800.00)</u>
Total Revenues	<u>770,301.00</u>	<u>907,067.02</u>	<u>820,123.75</u>	<u>(86,943.27)</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	624,066.00	755,087.02	672,540.53	82,546.49
Support Services:				
Pupils:				
Guidance	26,601.00	26,601.00	26,269.47	331.53
Instructional Staff:				
Improvement of Instruction	7,608.00	10,412.00	5,534.81	4,877.19
Educational Media	1,000.00	1,000.00	309.19	690.81
General Administration:				
Board of Education	19,090.00	19,090.00	17,914.86	1,175.14
Executive Administration	54,784.00	57,250.00	55,051.34	2,198.66
Business:				
Fiscal Services	33,724.00	35,382.00	34,623.09	758.91
Operation and Maintenance of Plant	50,429.00	53,429.00	48,465.31	4,963.69
Contingencies	3,000.00	3,000.00	-	3,000.00
Amount Transferred	<u>-</u>	<u>(3,000.00)</u>	<u>-</u>	<u>(3,000.00)</u>
Total Expenditures	<u>820,302.00</u>	<u>958,251.02</u>	<u>860,708.60</u>	<u>97,542.42</u>

REQUIRED SUPPLEMENTARY INFORMATION
 LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess of Revenues Over (Under) Expenditures	(50,001.00)	(51,184.00)	(40,584.85)	10,599.15
Other Financing Sources (Uses):				
Sale of Surplus Property	-	-	1,215.84	1,215.84
Net Change in Fund Balances	(50,001.00)	(51,184.00)	(39,369.01)	11,814.99
Fund Balance - Beginning	141,533.51	141,533.51	141,533.51	-
FUND BALANCE - ENDING	\$ 91,532.51	\$ 90,349.51	\$ 102,164.50	\$ 11,814.99

REQUIRED SUPPLEMENTARY INFORMATION
LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Tuition and Fees:				
Regular Tuition	\$ 86,195.00	\$ 86,195.00	\$ 86,193.00	\$ (2.00)
Earnings on Investments and Deposits	-	-	2,829.81	2,829.81
Revenue from State Sources:				
Restricted Grants-in-Aid	20,000.00	20,000.00	16,712.00	(3,288.00)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>33,110.00</u>	<u>33,110.00</u>	<u>36,145.00</u>	<u>3,035.00</u>
Total Revenues	<u>139,305.00</u>	<u>139,305.00</u>	<u>141,879.81</u>	<u>2,574.81</u>
Expenditures:				
Instruction:				
Regular Programs:				
High School	77,630.00	77,630.00	75,191.38	2,438.62
Support Services:				
Business:				
Fiscal Services	-	-	298.85	(298.85)
Facilities Acquisition and Construction	23,835.00	23,835.00	23,836.21	(1.21)
Operation and Maintenance of Plant	39,930.00	39,930.00	37,510.00	2,420.00
Other Support Services	<u>2,910.00</u>	<u>2,910.00</u>	<u>2,852.70</u>	<u>57.30</u>
Total Expenditures	<u>144,305.00</u>	<u>144,305.00</u>	<u>139,689.14</u>	<u>4,615.86</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,000.00)</u>	<u>(5,000.00)</u>	<u>2,190.67</u>	<u>7,190.67</u>
Net Change in Fund Balances	(5,000.00)	(5,000.00)	2,190.67	7,190.67
Fund Balance - Beginning	<u>56,141.33</u>	<u>56,141.33</u>	<u>56,141.33</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 51,141.33</u>	<u>\$ 51,141.33</u>	<u>\$ 58,332.00</u>	<u>\$ 7,190.67</u>

LAKE AREA MULTI-DISTRICT VOCATIONAL CENTER NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the financial statements prepared in conformity with USGAAP present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

The Center followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the Center board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the Center board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the Center board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the Center board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total Center budget and may be transferred by resolution of the Center board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the Center board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).